



## **Enterprise Transition Management (ETM) Project**

# **Project Contingency Fund**

June 19, 2008

## **BACKGROUND**

Contingency Funds have been established for the Enterprise Transition Management Project as a form of risk mitigation. These Contingency Funds are allocated to help absorb the impact of project changes due to, but not limited to:

- Scope changes
- Requirements changes
- Schedule changes

Project Management best practices include establishing contingency or management reserves but there is no industry standard per se. In fact, the amount recommended varies considerably from one industry expert to another (10 to 40%) but all agree that there is a direct correlation between risk and complexity and the percent of contingency allocated. According to both the Gartner Group and the Cutter Consortium, projects should include reasonable reserves in both budgets and schedules to manage change and improve the chance of project success. Project management standards as outlined by the Project Management Institute (PMI) encourage the use of management reserves in a project budget to respond to the impact of unidentified risks.

Due to the strong dependency on the Pension System Resumption (PSR) Project related to both schedule and deliverables, ETM must have the flexibility to accommodate unforeseen risks that may result from PSR/ETM scope changes and/or project delays. Additionally, since both the ETM and PSR Projects span multiple years, the risk of changes or delays is fairly high. Accordingly, the ETM budget contingency has been established at 10% of the Expressworks/Buck/Intellinex (EBI) contract value, not total project cost.

## **CONTINGENCY FUNDS**

<b>FY07 – 08</b>	<b>FY08 – 09</b>	<b>FY09 – 10</b>	<b>TOTAL CONTINGENCY FUND</b>
<b>Contingency Fund</b>	<b>Contingency Fund</b>	<b>Contingency Fund</b>	
<b>\$0</b>	<b>\$1,654,975</b>	<b>\$1,654,975</b>	<b>\$3,309,950</b>